



JULY 15, 1954



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Omnibus Tax Bill—In Final Stages

THE omnibus tax bill (H.R. 8300), which would revise most of the federal tax laws and grant tax relief to certain businesses and individuals, is well on its way to completion. Most of the Administration's tax proposals, referred to by the President as a "cornerstone" of his legislative program, were approved by both the House and Senate. However, the most controversial provision, the extent to which tax relief should be given on dividend income, still remains to be resolved in a joint conference committee.

The 900-page bill, representing the first attempt in 75 years at overall reform of the federal tax structure, was in preparation for more than two and one half years by the staffs of the House Ways and Means Committee, the Joint Committee of Internal Revenue Taxation, and the Treasury Department. According to Senator Eugene Millikin (R., Colo.), Chairman of the Senate Finance Committee, the bill is "an earnest effort, within budget limitations" to eliminate "inequities" and to improve specific sections of the numerous tax laws.

The bulk of the provisions, certain of final inclusion, fall into the following categories: (1) relief to taxpayers in "unusual hardship situations" because of child care expenses, extensive medical costs, and retirement income; (2) closing of tax loopholes, clarification of existing tax laws, and removal of "uncertainties," and (3) provisions which would make it easier for the taxpayer to comply with the law, such as allowing more time for the filling out of forms. The bill also calls for extension of the 52% corporation tax rate for one year—to April 1, 1955.

Contested Provisions

Although its sponsors have insisted that it is not primarily a tax relief bill, most of the debate has centered around the question of where major tax relief should be given. Two opposing points of view have been expressed by those who supported dividend and corporation tax relief, on the one hand, and those supporting general tax relief, on the other.

The Administration point of view has been expressed by Secretary of the Treasury George M. Humphrey, who maintains that the provisions designed to give dividend and corporation relief are the best way to "encourage investment . . . so that business can expand and create more jobs."

The other approach was summarized by Walter P. Reuther, C.I.O. president, at the Senate Finance Committee hearings: "Business investment can best be

stimulated by increasing the purchasing power of the majority of taxpayers . . . through higher income tax exemptions."

To meet the need for "reduction of existing tax barriers to economic growth," the Administration has included the following features in its tax bill: (1) liberalization of depreciation allowances for corporations; (2) partial relief from "double taxation" on dividends; (3) new tax rules applying to research and development expenditures and to inventors, and (4) modification in the taxation of accumulated earnings of small companies. All but the dividend relief provision have been approved, essentially as proposed.

Meanwhile, attempts made in both houses to amend the bill to provide for across-the-board-income tax relief, such as by raising the personal exemption from \$600 to \$700 were all defeated.

Dividend Relief—Still An Issue

As passed by the House, the dividend relief provision would permit stockholders to exclude \$50 of their dividend income this year, and \$100 each year thereafter. In addition, stockholders would receive an outright tax reduction of 5% the first year and 10% thereafter on dividend income. The Senate version of dividend relief provides only for a \$50 exemption.

The basic argument presented by the advocates of the dividend relief plan is that the proposals would partially wipe out an area of "double taxation." Corporations pay income taxes. Then they hand on the profits to stockholders, who likewise are taxed on the same funds. Reducing this particular area of "double taxation," this school contends, would spur investment and keep the economy expanding.

The opponents to dividend relief argue that the idea of "double taxation" assumes that the stockholder pays the corporation taxes as well as the tax on his own dividends. In actuality, the tax is shifted, at least in part, to the consumer through higher prices.

According to the opponents, dividend relief would help only those in top economic brackets. Those in the bottom brackets would gain only to the extent that some benefits might "trickle down" in the form of more jobs and generally increased prosperity.

It is generally expected that the conferees will work out a compromise dividend relief provision. House Ways and Means Committee Chairman Daniel A. Reed (R., N.Y.) said July 2 that there would not be any tax revision bill this year unless the House provision for more liberal dividend relief was adopted.

New Looks at State Legislatures and National Conventions

A MINE of information in major fields of League interest is available in two recent publications by the American Political Science Association. The first is a one-volume report, *American State Legislatures* (Crowell & Co.) and the other, a five-volume study, *Presidential Nominating Politics in 1952* (The Johns Hopkins Press).

Leagues working for constitutional revision will find in the report on state legislatures a thorough analysis of the "intimate relationship" between the necessity for effective apportionment procedures, constitutional revision and legislative reform. The book will also be a stout bridge for Leagues that have finished *Know Your State* studies and are ready to move to evaluation of the legislative process as related to general state functions.

Taking as a premise "the indispensability of strong representative institutions to the preservation of free government," the report points out that "present day legislative responsibilities are of such complexity and magnitude that they cannot be met adequately by the old fashioned, time consuming legislative procedures, antiquated organization, inadequate and incompetent staff services."

The report is concerned not only with the weight of the dead hand of the past, but also with such questionable current trends as the segregation of funds, now spreading from the ear-marking of gasoline taxes for highway improvement to education and welfare fields. It warns that "the widespread use of segregated funds constitutes one of the most serious obstacles to effective budgeting in many states . . . sometimes removing from normal fiscal controls as much as 75% to 80% of the revenues of a state."

There is also a valuable chapter on the political parties and the effect of their activities on state legislative operations.

The longer study of the presidential nominating process, covering the 48 states, Hawaii, Alaska, Puerto Rico and the District of Columbia, points out that, thanks to television, in 1952 more people than ever before had a first hand look at the national party conventions. TV cameras, however, clearly indicated that final action on the convention floor had been largely predetermined by behind-the-scenes influences upon the delegates. To list and analyze these other influences, case histories were prepared on each state delegation by more than 350 political scientists, assisted by many volunteer groups, including League members.

The first volume presents an overall look at the presidential nominating process, a picture of the pre-convention campaigns of 1952, a summary of the important points which arose in both conventions and a discussion of proposed changes of procedure.

The following four volumes (Northeast, South, Middle West and West) cover for each state key facts and political background, an analysis of the selection process, and the composition of the delegation. These facts are related to the activities and voting record of the delegates, indicating the motives for behavior and the influence of local and state party maneuvering.

The Johns Hopkins Press has now issued individual state chapters of the studies for California, Maryland, Ohio and Pennsylvania, at fifty cents each in minimum orders of ten. Separate chapters for some other states may be available later.

★ CONGRESSIONAL SPOTLIGHT ★

MUTUAL SECURITY ACT OF 1954: H.R. 9678, basic foreign policy legislation intended to replace the statutes under which military and economic aid have been administered, was passed by the House, June 30. This authorization permits an expenditure of \$3,440,608,000 for use in 1954. (See *THE NATIONAL VOTER*, June 15, 1954.) Senate Foreign Relations Committee continues hearings.

House Appropriations Committee began closed hearings on Mutual Security appropriation, July 7.

U.S. FOREIGN POLICY: S.J.Res. 171, introduced July 1 by Sen. McCarran (D., Nev.), proposes that the U.S. withdraw from the United Nations if Chinese Communist government is admitted to membership. Referred to Senate Foreign Relations Committee.

H.J.Res. 558, introduced by Rep. Utt (R., Cal.) and H.J.Res. 613, introduced by Rep. Clardy (R., Mich.) are similar to S.J.Res. 171. Both referred to House Committee on Foreign Affairs.

AGRICULTURAL SURPLUSES: S. 2475, conference report on the Agricultural Trade Development Act of 1953, authorizing the President to use up to \$700 million of agricultural surplus products through 1957 to improve the foreign relations of the U.S., was approved by House and Senate, June 30.

TRADE: H.R. 9474, a 1-year extension of the Reciprocal Trade Act, was passed by the House, June 11; by the Senate, June 24.

THUMBNAIL PROBLEMS IN NONPARTISANSHIP

Mrs. John Doe, a member of her local League Board, receives a telephone call from her party headquarters asking her to help address envelopes for party literature. What should her reply be?

CUSTOMS SIMPLIFICATION: H.R. 9476. Hearings on this bill to simplify customs tariff schedules and repeal or amend obsolete customs laws, introduced by Rep. Byrnes (R., Wis.), were held during June by the House Ways and Means Committee.

INVESTIGATIONS CODE: Senate Rules and Administration Committee (Sen. Jenner, R., Ind., chrm.) began hearings June 28 on resolutions dealing with rules of procedure for Senate investigating committees.

Mrs. Doe can serve the League purpose better, and also conserve time and energy by using her leadership to interest League members in doing this job. There are many non-board members who could help the party with this task. This would avoid any charges of League partisanship and also help to train more League members in the political parties' processes.

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